



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

May 9, 2006

Single Audit Management Report

Biran W. Amy, MD, MHA, MPH, Health Officer
Mississippi State Department of Health
P. O. Box 1700
Jackson, Mississippi 39215-1700

Dear Dr. Amy:

Enclosed for your review are the single audit findings for the Mississippi State Department of Health for the fiscal year 2005. In these findings, we recommend the Mississippi State Department of Health:


1. Strengthen controls over time study procedures;
2. Strengthen controls over reporting for the Maternal and Child Health Services Block Grant to the States (MCH) program; and
3. Strengthen controls over special reporting for the MCH program.

Please review the recommendations and submit a plan to implement them by May 22, 2006. The enclosed findings contain more information about our recommendations.

During future engagements, we may review the findings in this management report to ensure procedures have been initiated to address these findings.

This report is intended solely for the information and use of management, Members of the Legislature and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

I hope you find our recommendations enable the Mississippi State Department of Health to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi State Department of Health throughout the audit. If you have any questions or need more information, please contact me.

Sincerely,

Phil Bryant
State Auditor

Enclosures

SINGLE AUDIT FINDINGS

In conjunction with our audit of federal assistance received by the State of Mississippi, the Office of the State Auditor has completed its audit of selected federal programs of the Mississippi Department of Health for the year ended June 30, 2005. This audit was conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, the Single Audit Act Amendments of 1996, and Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The Office of the State Auditor's staff members participating in this engagement included Vicki Alvey, Judy Bounds, Kim McCrory, Andy Salin, Jessica Short and Lucreta Walker.

The fieldwork for audit procedures and tests was completed on May 1, 2006. These procedures and tests cannot and do not provide absolute assurance that all federal legal requirements have been met. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

Internal Control over Compliance

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the department's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely manner by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Compliance

Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of management. We have audited each of the major federal programs for compliance with the types of compliance requirements described in OMB Circular A-133. Our audit fieldwork included examining, on a test basis, evidence about the department's compliance with those requirements and such other procedures as we considered necessary. Based on audit procedures and tests performed, we are pleased to report that no instances of noncompliance that are required to be reported by OMB Circular A-133 were noted.

REPORTABLE CONDITIONS

CFDA/Finding Number

Finding and Recommendation

ALLOWABLE COSTS/COST PRINCIPLES

Reportable Condition

93.268	Immunization Grants
93.283	Centers for Disease Control and Prevention – Investigations and Technical Assistance (Bioterrorism Program)
93.994	Maternal and Child Health Services Block Grant to the States

Federal Award Number and Year:	H23/CCH422524-02-6, 2004
	H23/CCH422524-03-1, 2005
	U90/CCU416986-04-2, 2004
	U90/CCU416986-05-2, 2005
	6BO4MC04251-01-01, 2004
	6BO4MC02424-01-03, 2005

05-31

Controls over Time Study Procedures Should Be Strengthened

Finding:

The *Code of Federal Regulations* (45 CFR 92.22) requires that allowable costs be determined in accordance with the Office of Management and Budget (OMB) Circular A-87 for grant programs administered by the U.S. Department of Health and Human Services. OMB Circular A-87 requires that amounts charged to grant programs for personnel services, regardless of whether treated as direct or indirect costs, be based on documented payrolls. Payrolls are required to be supported by time and attendance or equivalent records for individual employees. Salaries and wages of employees chargeable to more than one grant program or other cost objective are required to be supported by appropriate time distribution records. The method used should produce adequate and equitable distribution of time and effort.

The Mississippi State Department of Health has implemented a time study system for allocating salaries and fringe benefits to the various programs administered by the agency. The time study is based on time study reporting forms completed for one week of each month. The agency budgets personnel costs to the respective programs for the forthcoming year based on the majority of time a person spent on a single program in the prior year. Reconciliations are performed between current actual time and effort reports and the actual amounts charged for payroll for each program in order to determine the salaries charged to the federal program were reasonable and the program was not overcharged. An adjustment to decrease/increase the amounts charged for payroll to the amount supported by the time study data is made yearly.

During our review of the time study system and testwork performed on 40 employees' time reports for fiscal year 2005, we noted the following problems:

- The reconciliation prepared by the agency between current actual time and effort reports and the amount charged for payroll to the Bioterrorism Program revealed the amount of federal funds drawn and charged to the Bioterrorism Program exceeded salaries documented per the time study system by \$587,017. An adjustment to correctly state the time and effort expended had not been made by the agency. Additional audit procedures performed revealed that the time study system did not include the stand by pay charged to the program or the fringe benefits paid to an employee upon termination in the amount of \$303,402. Therefore, it would appear the Bioterrorism Program was overcharged by \$283,615.
- Three of the 40 employee's weekly time reports requested could not be located.
- Eight instances occurred in which the weekly time report was entered into the time study system but no supervisory review of the time report was documented.
- Two weekly time reports did not contain an activity code and 15 weekly time reports used program codes which were not included on the program code table in the administrative manual.
- Thirty instances occurred on a total of 27 time sheets in which the program code, activity code, or the employees' hours were not entered correctly in the time study system from the time reporting form.

Good internal controls dictate that adequate controls be in place to ensure the amounts entered in the time study system are accurate and reliable. Inadequate controls over the time study system could hinder the agency's ability to manage federal funds effectively and to comply with federal regulations.

Recommendation:

We recommend the Mississippi State Department of Health strengthen internal controls to ensure time study information is reliable and accurate. Greater care should be taken to ensure time report forms are properly maintained as supporting documentation. Also, a supervisory review should be documented on each time report form. The program code table in the administrative manual should be updated to include all codes currently used. In addition, adjustments should be made to correctly charge personnel expense to federal programs based on benefits derived by the federal program and in order to produce an equitable distribution of time and effort.

REPORTING

Reportable Condition

93.994 Maternal and Child Health Services Block Grant to the States

Federal Award Number and Year: 6BO4MC0030107 (10/1/02-9/30/04)

05-32 Controls over Reporting Should Be Strengthened

Finding:

The *Code of Federal Regulations* (45 CFR 92.41) requires the Mississippi State Department of Health to prepare and submit annually a Financial Status Report (Form SF-269) to report program outlays and program income on a cash or accrual basis as prescribed by the awarding agency for the Maternal and Child Health Services Block Grant to the States Program. A final annual report is due 90 days after the expiration or termination of grant support. Testwork revealed the agency did not prepare and submit a final annual SF-269 report for the grant year ending 9/30/04.

Good internal controls dictate procedures are in place to ensure compliance with reporting requirements. Failure to submit the Financial Status Report (SF-269) could impede the U.S. Department of Health and Human Services ability to properly monitor the program and results in non-compliance with reporting requirements.

After this problem was brought to the attention of management, a final annual Financial Status Report for the grant year ending 9/30/04 was prepared and submitted to the U. S. Department of Health and Human Services prior to the completion of audit fieldwork. Also, a spreadsheet was developed by management to track the federal reporting requirements.

Recommendation:

We recommend the Mississippi State Department of Health strengthen procedures over the preparation of federal reports for the Maternal and Child Health Services Block Grant to the States Program to ensure all federal reports are properly prepared and submitted to the federal granting agency.

REPORTING

Reportable Condition

93.994

Maternal and Child Health Services Block Grant to the States

Federal Award Number and Year: 6BO4MC042510101
(10/1/04-9/30/06)

05-33

Controls over Special Reporting Should Be Strengthened

Finding:

The *Code of Federal Regulations* (45 CFR 96.17) and the 1981 Omnibus Budget Reconciliation Act (42 USC 706) requires each state to prepare and submit a Title V Application/Annual Report on the activities of the Maternal and Child Health Services Block Grant to States program. It further requires the report to be in a standardized form (OMB No. 0915-0172) and to contain certain information. Additionally, the Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* indicates that Form 3 through Form 8 of the annual report contain critical information. Auditors are required to ensure information on the forms is correct.

Testwork at the Mississippi State Department of Health on the fiscal year 2003 Title V Application/Annual Report submitted with the fiscal year 2005 application revealed the following:

- The agency could not provide documentation to support the number of newborns "Receiving at least one Screen" or the "Number of Presumptive Positive Screens" on Form 6; the number of Title V Total Served and the percentages of "Primary Sources of Coverage" and "Children with Special Healthcare Needs" on Form 7; and the number of "Total Hispanic or Latino" served by Title V on Form 8.
- On Form 6, the amount for "Total Births by Occurrence" and the amount for "Number of Confirmed Cases for Sickle Cell Disease" did not correspond to the supporting documentation provided by agency personnel. The 40,535 amount reported for the "Total Births by Occurrence" was understated by 976 and the 67 amount reported for the "Number of Confirmed Cases for Sickle Cell" was overstated by 11.

Good internal controls dictate that supporting documentation be maintained for federal reports in order to verify propriety and completeness of the report. Failure to maintain proper supporting documentation for required data or to properly enter data in federal reports could result in the submission of incorrect figures to the federal government. Because supporting documentation was not maintained, we could not verify that all data on Forms 6, 7 and 8 was correct.

Recommendation:

We recommend the Mississippi State Department of Health strengthen controls over the preparation of federal reports for the Maternal and Child Health Services Block Grant to the States program by ensuring supporting documentation is maintained for all data on the report. Also, greater care should be exercised to ensure data is properly entered in the annual federal reporting forms.